

May Revise Update

Revenues were higher than expected when the May Revise came out, but that did not significantly alter the framework for the five-year budget plan. The Budget shortfall fell from over \$25B in January 2011 to just over \$9.6 B in May. The Governor used the windfall to reduce the amount that was planned to be borrowed from state Special funds, and restored payments to school districts that had previously been deferred.

Due to the lack of agreement to place the tax extension on the ballot for June, the anticipated revenue from the increase in the Personal Income Tax was taken out of the equation and forecast for FY 2011. The May Revise has also modified the plan to eliminate enterprise zones and reduces the hiring credit to a one-time credit of \$5,000. All other proposed solutions were unchanged, just delayed...

AB 3632

The May Revise significantly changed the AB3632 program administration by proposing it be assigned to local school districts rather than counties. It permanently repeals the "AB 3632" mandate on counties, removing it from the realigned programs under the Public Safety and Education Act, and transfers it to the local schools.

Some of the funding (\$221.8 M) would come from Proposition 98, and although the duties were diverted to the local school districts, county mental health agencies are still slated to receive the \$98.5 M of MHSA funding on a one-time basis for FY 2011-12, with the expectation that school districts may contract with counties to provide the mental health services. The May Revise also diverts \$68 million from the Department of Social Services budget to the Prop 98 funds schools can use to pay for residential placements. When the federal IDEA funds are added in, the total proposed budget for FY 2011-12 is \$389.4 million, and "schools would be responsible for any costs exceeding this amount."

CMHDA wrote that *"this proposal would appear to continue to "suspend" the AB 3632 mandate on counties in FY 2011-12, since schools rather than counties would be responsible for ensuring that students receive their IDEA-related mental health services -- either directly, through contracts with counties, or a combination of the two."*

Despite general feedback from stakeholders that the change would require a gradual transition in order to avoid disruption, the Senate voted to transfer the duties at the June 11, 2013 budget hearing, and is now pending the approval of the Assembly. (as of June 13, 2011).

Departmental Reorganization:

Department of Mental Health (DMH):

- The May Revise proposed to eliminate the Department of Mental Health (and the Alcohol and Drug Programs department) and establish a new Department of State Hospitals. The plan for the establishment of the new Department of Hospitals will be announced in January when next year's budget is proposed. DMH requested, and received funds to support the reduction and/or redirection of staff during the transition process.

- Adds \$50 million to state hospital budgets because last year's budget underfunded costs by \$50 million. Adds another \$10 million for safety enhancements at Napa, Patton and Metropolitan state hospitals including for improving alarm systems.
- DHCS will assume all state-level responsibilities for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) and Medi-Cal mental health managed care programs in FY 2011-12. A proposal for all remaining DMH community mental health functions will be announced in the Governor's January 2012-13 Budget. (Senate approved 6/10/2011)

Department of Alcohol and Drug Programs (ADP):

- The May Revise proposes to eliminate ADP, move all Drug-Medi-Cal functions to DHCS, and shift all remaining functions to another department (to be identified in the Governor's January FY 2012-13 budget).

Managed Risk Medical Insurance Board (MRMIB):

- The May Revise proposes to eliminate MRMIB, and merge the Healthy Families Program into the Medi-Cal Program to "reduce costs and create a single health care program for low-income families." This will essentially coincide with the implementation of the Bridge to Healthcare pilot program.
- CMHDA is concerned that the lower county match (35% county, 65% federal) for the Healthy Families SED program, as opposed the 50/50% match for EPSDT, will negatively impact counties.

From MRMIB's perspective, *"(s)hifting coverage from Healthy Families to Medi-Cal now would result in major changes in plan coverage for hundreds of thousands of children with uncertain costs and certain disruptions" due to Medi-Cal's "much more limited contracting capability"*. MRMIB estimates that almost 58% of program participants (in excess of 504,000 children), would have to be moved out of their present health plan.

This proposal is estimated to save \$31.2 million General Fund in FY 2011-12.

REALIGNMENT

The May revise added \$44.6M to counties to pay for additional resources for District Attorneys and Public Defenders in dealing with parole revocation hearings, as well as provide additional program dollars for offenders being served either in the community or serving a revocation term.

SSI/SSP GRANTS

The May Revise reduces SSI/SSP grants for individuals to the federal minimum. With this reduction, the maximum monthly SSI/SSP grant for individuals would be reduced from \$845 to \$830.

MEDI-CAL 1115 DEMONSTRATION WAIVER

CMHDA reported that *"The May Revise decreases \$95.2 million in FY 2010-11 funding through "identifying additional options" to claim waiver funds. The recently approved waiver provides for up to \$400 million in General Fund savings annually that can be claimed with expenditures in state-only programs. However, current projections are that the state will fall short of that level in the current year. The May Revise states that to achieve the maximum General Fund savings, the state would use a combination of additional state-only costs and surplus CPEs (Certified Public Expenditures) that public hospitals would volunteer to use in the current year."*